

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7384

BILL NUMBER: HB 1380

NOTE PREPARED: Jan 20, 2004

BILL AMENDED:

SUBJECT: Appropriations limit.

FIRST AUTHOR: Rep. Noe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill revises the formula for determining the state spending cap to be 99% of available general revenue. The bill voids general appropriations whenever total appropriations exceed 99% of available general revenue. The bill voids the appropriations made by a major budget bill whenever the bill or its conference committee report fails to include certain disclosures concerning the amount of spending being proposed by the General Assembly.

Effective Date: July 1, 2004.

Explanation of State Expenditures: *Expenditure Limits:* This bill establishes an appropriation limit for General Fund and Property Tax Replacement Fund expenditures. The appropriation limit is to be based on revenue projections made by the Budget Agency with the assistance of the Revenue Technical Committee. The bill limits these appropriations to 99% of the state revenue and voids any appropriation that exceeds this limit. The General Assembly may authorize an appropriation that exceeds the appropriation limit if the appropriation bill is adopted by a 2/3 majority of the members of both the House and Senate.

The bill repeals the expenditure limits set out in P.L. 192-2002(ss) for fiscal years beginning after June 30, 2005. P.L. 192-2002(ss) established a maximum annual percentage change for state government expenditures to be based on the percentage change in Indiana nonfarm personal income over the last six calendar years or 6% beginning in FY 2006. The expenditure limit for FY 2004 and FY 2005 is 3.5%.

This bill applies to appropriations beginning in FY 2006.

Background Information: According to the January 12, 2004, *Reserve Statement*, FY 2005 budgeted appropriations are \$11,505.8 M and the expenditure limit would have been estimated to be \$10,957.5 M (based on 99% of FY 2005 revenue of \$11,068.2 M). If the bill applied to FY 2005, then appropriations would have had to be reduced by about \$548.3 M.

The January 12, 2004, revenue forecast projects a 6.9% increase in General Fund and Property Tax Replacement Fund revenue for FY 2004 due to increased gaming, cigarette, and sales taxes, and a 4.2% increase for FY 2005. The projected percentage increase in revenue adjusted for the tax increases passed by the 2002 General Assembly is 2.2% for FY 2004 and 4.7% for FY 2005. There is no official forecast of revenue collections for FY 2006 and beyond. No projections are currently available for FY 2006 and FY 2007.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Expenditure Limits:* Distributions of state revenue to local units of government are dependent on the disposition of state appropriations.

State Agencies Affected: Attorney General's Office, State Budget Agency, General Assembly, Treasurer of State, All state agencies funded by the General Fund.

Local Agencies Affected: All.

Information Sources: *GF & PTRF Statement of Combined Estimated Unappropriated Reserve*, January 12, 2004 - State Budget Agency; January 12, 2004, *Revenue Forecast* - Revenue Forecast Technical Committee.

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